

VZCZCXRO0845
OO RUEHFK RUEHKS RUEHNH
DE RUEHKO #7096/01 3550800
ZNY CCCCC ZZH
O 210800Z DEC 06
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9292
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 5254
RUEHBY/AMEMBASSY CANBERRA PRIORITY 1939
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 8233
RUEHUL/AMEMBASSY SEOUL PRIORITY 1346
RUEHFK/AMCONSUL FUKUOKA PRIORITY 9262
RUEHNH/AMCONSUL NAHA PRIORITY 1745
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 2700
RUEHKS/AMCONSUL SAPPORO PRIORITY 0286
RHMFISS/COMUSJAPAN YOKOTA AB JA PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RHMFISS/DISA WASHINGTON DC PRIORITY
RUEATRS/TREASURY DEPT WASHDC PRIORITY
RHEHAAA/NSC WASHDC PRIORITY
RHHMUNA/HQ USPACOM HONOLULU HI PRIORITY
RHEHAAA/WHITE HOUSE WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEHIN/AIT TAIPEI PRIORITY 6263

C O N F I D E N T I A L SECTION 01 OF 05 TOKYO 007096

SIPDIS

SIPDIS

DEPT PASS USTR FOR CUTLER/BEEMAN

E.O. 12958: DECL: 12/20/2016

TAGS: [PGOV](#) [PREL](#) [ECON](#) [ETRD](#) [EINV](#) [MARR](#) [JA](#)

SUBJECT: DIET SESSION A SUCCESS FOR ABE

Classified By: CDA JOSEPH DONOVAN. REASONS 1.4 (B),(D).

11. (C) Summary. Prime Minister Abe has succeeded in gaining passage of most of his key legislative proposals in the extraordinary Diet session that ended on December 19, gaining sound marks for achievement. He has been aided by high popularity ratings throughout most of the legislative term, an overwhelming majority in both houses of the Diet, and an ineffective opposition. Among his successes are an amendment to the Basic Education Law, legislation to upgrade the Japan Defense Agency to a ministry, a law aimed at preventing involvement in bid-rigging by bureaucrats, and a measure to cap interest rates on consumer loans. A proposal to reform the system for using road-related tax revenues was watered down, but still managed to break new ground and will allow Abe needed flexibility in allocating revenues. Most of Abe's other key initiatives, including the National Referendum and Organized Crime bills, are likely to surface in the regular Diet session to start in January. End summary.

12. (SBU) The opening of the extraordinary Diet session on September 26 was a time of guarded optimism for the new government of Prime Minister Shinzo Abe. Elected to office against little real opposition, Abe initially took criticism for failing to explain his policy platform in clear terms. His book, "Toward a Beautiful Country," published shortly before the election, was long on generalities and short on proposals. His appointment of a number of new advisors in the Office of the Prime Minister (the "Kantei"), intended to foster a top-down style of management, was widely seen as a barrier to effective policy making, rather than the reverse. At the same time, high popularity ratings, an overwhelming majority in both houses of the Diet, and a weak and disheartened opposition seemed to assure that Abe would have no problem shepherding through key legislation.

13. (SBU) Abe's two priority items, the Basic Education and Japan Defense Agency (JDA) upgrade bills, both held over from the previous Diet session under the administration of Prime Minister Junichiro Koizumi and then-Chief Cabinet Secretary

Abe, soon became embroiled in debate over wider education and security issues. They did not clear the Diet until December 15, the scheduled closing date for the session before it was extended at the last minute until December 19. Some measures passed with much less debate, while others were deferred, perhaps indefinitely, because of disagreements within the LDP or sensitivities over upcoming local and Upper House Diet elections in 2007.

EDUCATION AND JDA BILLS GO THE DISTANCE

¶4. (SBU) Prime Minister Abe came into office promising to amend the 1947 Law on Education to strengthen traditional values and instill a greater sense of patriotism and civic pride in students. The original law, written during Japan's postwar occupation period amidst concerns over the link between nationalism and militarism, was seen as an anachronism in modern Japan. Abe inherited a draft LDP bill from the previous Diet session. A competing DPJ proposal was similar in many respects, but differed on the language used to define patriotism. Despite the similarities in the draft bills, the DPJ chose to use the Education bill to make a stand against Abe and the ruling coalition, demanding numerous public hearings and lengthy debate in the Diet. The opposition was aided in this effort by a steady stream of media reports in October and November focusing on problems in the educational system, such as the failure to teach compulsory courses in high schools and evidence that incidents of bullying and violence were becoming more frequent. The fact that the Basic Education Law was not intended to address nuts and bolts issues but is merely a foundational document outlining an overall philosophy of education was irrelevant to much of the debate.

TOKYO 00007096 002 OF 005

¶5. (SBU) Just prior to the November 19 Okinawa gubernatorial election, the DPJ walked out of committee hearings to protest what they characterized as the ruling coalition's attempt to force through the measure. According to opinion polls, 55 percent of respondents agreed that the LDP should not rush the bill through before the end of the session, with only 19 percent in favor of immediate passage. Those numbers didn't change significantly among LDP supporters. The DPJ returned to committee hearings after losing the election in Okinawa, but continued to push for extended debate up until the final vote on December 15. The DPJ even joined with the Japan Socialist Party (JSP) and Japan Communist Party (JCP) in submitting a no-confidence motion in the Lower House to delay a final vote. The DPJ declined to join on a similar motion in the Upper House, where members are sometimes more reluctant to take on the ruling coalition. Now that the measure has passed, the LDP will await proposals for more specific reforms from the Education Rebuilding Council, led by Special Advisor to the Prime Minister Eriko Yamatani, according to Embassy contacts. The DPJ also plans to submit its own proposals.

¶6. (SBU) Legislation upgrading the Japan Defense Agency (JDA) to a ministry is actually a set of three revisions to the JDA, Self-Defense Force (SDF), and Security Council laws. Debate on the measures was remarkably muted in comparison to the Basic Education Law, especially considering the sensitivities surrounding Japan's Constitution. Even junior coalition partner Komeito, totally reliant on the pacifist Soka Gakkai religious organization for support, signed on without a struggle, hoping voters would forget about the issue by next summer. As with the Basic Education bill, however, easy approval of the measures was complicated by wider discussions within the LDP, among government officials, and in the press. Despite the fact that the DPJ had more or less decided to support the upgrades back in November, according to DPJ Diet members, a daily media focus on such related subjects as collective self-defense, possession of nuclear weapons, defense bid-rigging scandals, a permanent dispatch law for peacekeeping purposes, and the Iraq war

extended the debate.

17. (SBU) Upgrading the JDA, currently an external agency of the Office of the Prime Minister and directly under the Prime Minister's authority, has not been at all controversial. The new ministry will be formally unveiled on January 9. The change to the SDF law elevates overseas activities, including peacekeeping, humanitarian relief, logistical support for U.S. forces under the Situations in Areas Surrounding Japan (SIASJ) Law, Iraq reconstruction support, and Maritime Self-Defense Force (MSDF) refueling efforts in the Indian Ocean, to the status of primary missions. Those who have spoken out about the JDA upgrade bills have mostly raised concerns that this will lead ultimately to a permanent dispatch law, procurement of weapons for more than just defense purposes, and an eventual weakening of civilian control. In reality, very little will change in terms of what the SDF is already entitled to do under current laws, according to Embassy contacts at JDA.

BID RIGGING, DECENTRALIZATION, MONEY LENDING NOT CONTENTIOUS

18. (SBU) Abe got off to a quick start in the new Diet session, gaining passage of a one-year extension to the Anti-Terror Special Measures Law, which enables Japan Maritime Self-Defense Forces (MSDF) to continue providing refueling support to the U.S. and other forces in the Indian Ocean. Revisions to the Money-Lending Business Law, passed on December 13, lower the ceiling on consumer loan rates from 29.2 percent to 20 percent over the next three years. The measure also includes 11 supplementary resolutions calling for control over black market lenders, better financial

TOKYO 00007096 003 OF 005

education in schools, and stricter supervision of lenders, among others. While the legislation did not immediately solve the issue of gray-zone lending between the two current legal interest rate caps, financial analysts predicted that the consumer finance industry would undergo significant shakeout and consolidation as a result of these measures, which are subject to legislative review.

9 (SBU) The Decentralization ("Doshu") Law, passed on December 8, spells out basic principles for delegating more power to local authorities, a key promise of the Abe campaign. An experts panel will convene in April, with the approval of the Diet, to propose specific guidelines. Relevant laws will then need to be revised. The goal is to submit the necessary package of new bills by 2010. Recent bid rigging and other scandals have raised concerns over whether prefectural and municipal governments should have greater authority, so this idea may receive closer scrutiny in the next session, according to media contacts. A bill passed on the same date, the Law on Prevention of Collusive Bidding, toughens penalties on bureaucrats involved in bid-rigging -- providing for prison terms up to five years and fines up to 2.5 million yen -- extends enforcement to highway corporation officials, and criminalizes the act of abetting in bid-rigging.

ROAD TAX A PARTIAL VICTORY

10. (C) On November 28, Abe found himself on the ropes over his decision to readmit LDP members expelled in 2005 over opposition to Koizumi's landmark postal privatization plan (the "postal rebels"). Criticized in the media for bowing to pressure from vested interests and abandoning Koizumi's reform agenda, Abe quickly formulated a proposal to reform the system which automatically funnels all road-related tax revenues into new, sometimes unnecessary, road construction projects. Chief Cabinet Secretary Yasuhisa Shiozaki labeled the hastily drawn proposal a "litmus test" for reform. Abe's strategy soon backfired, however, as vested interests immediately objected to some of the most meaningful provisions, and Abe was forced to compromise.

¶11. (SBU) The resulting agreement, approved by the Cabinet on December 8, calls for keeping road-related spending to a minimum and allowing surplus road-related tax revenues, i.e., those not already allocated, to be added back into general revenue and used for other purposes. The Diet will revise relevant laws in the 2008 session for this purpose. This sort of reform is a fairly remarkable achievement in and of itself; however, gasoline taxes, which account for approximately 80 percent of the total, are specifically excluded. Provisions to pass on the benefits to consumers in the form of lower tolls were also stricken. The failure to deal with the underlying gasoline tax issue, in addition to tarnishing Abe's pro-reform image, will likely lead to contentious debate as the legislative deadline approaches, according to Diet members from both parties.

REFERENDUM, CONSPIRACY, CONSUMPTION TAX HELD OVER

¶12. (SBU) Abe promised during his campaign to make constitutional revision a priority of his administration over the next few years. First he needs to pass legislation outlining the procedures for the national referendum required after a two-thirds vote by both houses of the Diet. As with much of the other legislation considered during this extraordinary Diet session, debate over the National Referendum bill was also held over from the end of Koizumi's term. Before Abe even took office, the LDP, Komeito, and DPJ had already more or less agreed to the basic parameters of a bill, according to knowledgeable party members. The LDP has conceded to the DPJ on lowering the voting age to 18 from 20, but only after other election laws are amended during a

TOKYO 00007096 004 OF 005

three-year transition period where it will remain at 20. The ruling and opposition parties have also compromised on provisions covering the method of voting, who may participate in campaigning, and how free slots for advertising will be allocated. Despite this general agreement, however, the three parties have left the issue undecided for next term, where prospects for passage are cloudy. Some Embassy contacts note that the DPJ may be worried about supporting a major bill with the ruling coalition so close to the 2007 elections. Others note that Komeito, too, may be reluctant to discuss constitutional revision in advance of the elections for fear of alienating its pacifist base. The parties were perhaps more openly honest in tabling discussions of the consumption tax until after the elections.

¶13. (SBU) Abe did not act on a piece of legislation that would have given Japan additional tools for fighting terrorism. The Organized Crime bill, which would criminalize conspiracy for the first time, was also held over from the end of Koizumi's term. Without strong opposition from the DPJ, it was generally regarded by Embassy contacts as an easy measure to pass during the extraordinary Diet session. Midway through the session, however, the bill became inexplicably linked to an unrelated juvenile crime bill. Every time the LDP tried to push for consideration of the conspiracy measure, the DPJ pushed back for consideration of the juvenile crime bill instead. Eventually, according to Embassy contacts in the LDP, Abe decided to sacrifice the bill to avoid any possible backlash on the Basic Education bill. A DPJ contact was not sure the bill would be raised again in the next session.

¶14. (SBU) Although there was no specific legislative action, there was much talk this session of growing disparities between "winner groups" and "loser groups" in Japanese society and the need for programs to address this perceived gap. Grouped under the title "Second Chance" (in Japanese "sai-challenge", literally, "re-challenge"), the government has begun to formulate programs aimed at creating employment and economic opportunities for "victims" of economic change and addressing the growing social divide between career workers and part-timers, high- and low-income earners, and

the well-being of large cities versus the declining fortunes of outlying regions. This was a key theme of Abe's campaign platform and, immediately after his election, he added a "second chance" portfolio to his new cabinet. The opposition DPJ has also signaled its readiness to make the growing "social divide" a key issue in the 2007 Upper House campaign.

¶15. (SBU) The government did not submit any "second chance" legislation during the current session. However, it has set up an interministerial group consisting of director general-level representatives from the Cabinet Office and 14 ministries or central government agencies. Expectations are this group will submit a social disparity correction bill or a "second chance" promotion bill (or both) to the 2007 Diet session. Another possibility is the government will use labor legislation, such as the new Labor Contracts Law currently being drafted by Ministry of Health, Labor and Welfare, to advance "second chance" programs in the next Diet session.

COMMENT

¶16. (C) In some ways, the real story of this Diet session was not the debate between the ruling coalition and opposition parties, which was fairly muted, but the intra-party debates within the LDP. Extraordinary Diet sessions are not normally known for being particularly active on legislation. The September start was also difficult for Abe, since he was forced to work off of his predecessor's budget and legislative priorities. That Abe was able to

TOKYO 00007096 005 OF 005

accomplish this much in 85 days with a new cabinet, new advisors, and a new line-up in all three major party executive offices is actually pretty remarkable. The 2007 elections were also lurking in the background during most of the Diet debates, preoccupying the leadership and causing all three parties to play their hands cautiously. Abe did not face much in the way of organized opposition from the DPJ, which spent most of the Diet session trying to come up with its own policy platform for passage at the January 2007 party convention.

DONOVAN